

FOR RELEASE UPON DELIVERY
EXPECTED ABOUT 10:00 A.M. EST

STATEMENT OF ROBERT A. WALLACE
ASSISTANT SECRETARY OF TREASURY
BEFORE THE HOUSE GOVERNMENT OPERA-
TIONS SUBCOMMITTEE ON LEGAL AND
MONETARY AFFAIRS

FEBRUARY 16, 1965

THE CURRENT COIN SITUATION

MR. CHAIRMAN, MY STATEMENT SHALL BE BRIEF, ALTHOUGH OF COURSE I SHALL BE GLAD TO ANSWER ANY QUESTIONS FROM MEMBERS OF THE COMMITTEE. I SHALL TALK ABOUT THE GENERAL COIN SITUATION, WHAT WE HAVE DONE ABOUT IT, WHERE WE STAND TODAY AND THE PROSPECTS, SO FAR AS WE CAN TELL, FOR THE FUTURE. I THINK IT WOULD BE BETTER TO LEAVE ALL QUESTIONS PERTAINING TO THE OPERATION OF THE MINTS TO MISS EVA ADAMS, THE DIRECTOR OF THE MINT.

YOU WILL RECALL THAT BEFORE LAST YEAR OUR GENERAL PLAN WAS TO BOOST MINT PRODUCTION AS EFFICIENTLY AND ECONOMICALLY AS POSSIBLE WHILE PLANNING TO MEET OUR LONG-RANGE NEEDS WITH THE CONSTRUCTION OF A NEW MINT IN PHILADELPHIA. IN THE FIVE-YEAR PERIOD BETWEEN 1959 AND 1964, THE MINT VERY NEARLY TRIPLED THE PRODUCTION OF COINS, FROM 1-1/2 BILLION TO 4-1/3 BILLION ANNUALLY.

THESE PRODUCTION INCREASES WERE MADE IN ORDER TO BUILD UP OUR INVENTORY OF COINS SO THAT WE COULD MEET THE PERIODIC SEASONAL AND REGIONAL SHORTAGES AS THEY OCCURRED. THE DEMAND FOR COINS OF COURSE, HAS BEEN GROWING STEADILY BECAUSE OF THE INCREASED USE OF VENDING MACHINES, A GROWING POPULATION AND A SIZABLE JUMP IN THE AMOUNT OF COMMERCIAL ACTIVITY.

LAST MARCH, HOWEVER, TWO THINGS HAPPENED ALMOST SIMULTANEOUSLY WHICH TOUCHED OFF BROAD NEW INTEREST IN COINS. THE FIRST WAS THE INTRODUCTION OF THE KENNEDY HALF DOLLAR WHICH WAS MUCH MORE POPULAR AS A KEEPSAKE THAN SOME HAD ANTICIPATED. THE SECOND OCCURRENCE, ALSO IN MARCH, WAS THAT THE TREASURY EXHAUSTED ITS SUPPLY OF SILVER DOLLARS. IN APRIL AND MAY WE COULD SEE MUCH INCREASE IN THE ACTIVITIES OF COIN SPECULATORS WHO BOUGHT UP NEW COINS BY THE ROLL AND BY THE BAG, FURTHER INTENSIFYING THE GENERALLY TIGHT SITUATION.

AFTER DISCUSSING THE MATTER WITH THE PRESIDENTS OF THE TWELVE FEDERAL RESERVE BANKS, WE BECAME CONCERNED THAT THE SHORTAGE MIGHT REACH CRISIS PROPORTIONS IN THE FALL -- ESPECIALLY DURING THE CHRISTMAS SHOPPING SEASON. IT WAS THIS POSSIBILITY WHICH PROMPTED THE TREASURY TO INSTITUTE A CRASH PROGRAM TO DOUBLE THE PRODUCTION OF COINS WITHIN A YEAR. MISS ADAMS WILL BE GLAD TO GIVE YOU THE DETAILS OF THAT PROGRAM, BUT I AM PLEASED TO ANNOUNCE THAT WE ARE ON SCHEDULE. COIN PRODUCTION IN THE LAST SIX MONTHS OF CALENDAR YEAR 1964 JUMPED NEARLY 60% OVER THE SAME PERIOD A YEAR EARLIER.

I THINK THE ENTIRE COUNTRY OWES A DEBT OF GRATITUDE TO OUR MINT DIRECTOR, MISS ADAMS, AND TO ALL THE EMPLOYEES IN THE BUREAU OF THE MINT FOR THEIR TREMENDOUS GAINS IN PRODUCTION UNDER THE CRASH PROGRAM. CONSIDER, FOR EXAMPLE, THAT IN THE LAST SIX MONTHS OF CALENDAR 1964, THE TWO MINTS IN PHILADELPHIA AND DENVER PRODUCED 3,431,061,000 COINS. THUS, IN A HALF YEAR THEY PRODUCED MORE COINS THAN ARE NORMALLY PRODUCED IN A WHOLE YEAR.

AND THEY ARE KEEPING TO THE SCHEDULE. BY JUNE 30 THEY WILL HAVE PRODUCED 8 BILLION COINS AND THEIR MACHINES WILL BE GOING AT AN ANNUAL RATE OF OVER 9 BILLION.

THANKS TO THIS CRASH PROGRAM AND TO THE MINT EMPLOYEES WHO HAVE BEEN WORKING AROUND THE CLOCK 24 HOURS A DAY, 7 DAYS A WEEK, WE WERE ABLE TO AVERT A COIN CRISIS LAST FALL.

MORE RECENTLY WE HAVE RECEIVED ENCOURAGING FLOW BACK FIGURES FROM THE FEDERAL RESERVE SYSTEM. THESE FIGURES INDICATE THAT, COMPARED WITH A YEAR AGO, THE FEDERAL RESERVE SYSTEM'S INVENTORY OF PENNIES HAS TRIPLED. ALL TWELVE FEDERAL RESERVE PRESIDENTS HAVE TOLD ME THAT THE PENNY SITUATION IS APPARENTLY UNDER CONTROL AND THE ENTIRE COIN SITUATION HAS GREATLY IMPROVED, BUT THAT COINS OTHER THAN PENNIES REMAIN SOMEWHAT TIGHT.

THIS BEARS OUT INFORMATION WE HAVE RECEIVED. LAST SUMMER ROLLS OF 1964 COINS WERE BEING ADVERTISED AT FANTASTIC PREMIUMS. TODAY, AS A RESULT OF LEGISLATIVE AUTHORITY GIVEN TO THE SECRETARY OF THE TREASURY TO CONTINUE THE 1964 DATE ON COINS, THERE HAS BEEN A DECIDED SOFTENING OF THE SPECULATIVE MARKET FOR 1964 COINS. EVEN THOUGH DEALERS ARE STILL ADVERTISING THEM AT PREMIUMS, ONLY THE MORE GULLIBLE ARE BUYING THEM.

BEFORE LAST FALL, IT WAS VERY RARE TO SEE 1964 COINS IN CIRCULATION BECAUSE SO MANY HAD BEEN BOUGHT UP FOR THE PURPOSE OF HOARDING AND SPECULATING ON FUTURE INCREASES IN NUMISMATIC VALUE. EVEN IN THE CHANGE WHICH YOU AND I RECEIVE IN OUR DAILY COIN TRANSACTIONS WE NOW SEE A GREATER AND GREATER PROPORTION OF 1964 COINS SHOWING UP.

AND WHAT OF THE FUTURE? THERE IS NO QUESTION IN MY MIND BUT THAT IF THE COIN SITUATION ALONE WERE ALL WE HAD TO DEAL WITH, OUR PRODUCTION SCHEDULE COULD EASILY DEMOLISH WHAT REMAINS OF THE COIN SHORTAGE. THE ONLY POSSIBLE DIFFICULTY IS WHAT MIGHT HAPPEN WHEN WE CHANGE OUR COIN ALLOYS. THEREFORE, AS A PART OF OUR GENERAL STUDY OF COINAGE ALLOYS AND THE SILVER SITUATION, WE SHALL ALSO HAVE TO ASSESS WHETHER OR NOT IT WILL BE NECESSARY TO BOOST OUR COIN PRODUCTION STILL FURTHER. I KNOW THIS CAN BE DONE IF NECESSARY. THIS YEAR WE ARE DOUBLING THE PRODUCTION OF COINS. IF NECESSARY AND IF WE RECEIVE THE NECESSARY SUPPORT IN CONGRESS, IT WOULD BE POSSIBLE FOR US TO DOUBLE THIS PRODUCTION STILL AGAIN. THUS, WE COULD NOT ONLY DOUBLE BUT COULD EVEN REDOUBLE OUR COIN PRODUCTION IF THIS IS REQUIRED TO PREVENT FUTURE SHORTAGES.

MEANWHILE, WE HOPE TO HAVE COMPLETED OUR COINAGE ALLOY STUDY SOME TIME IN APRIL. WE HAVE TESTED AND ARE TESTING NUMEROUS ALLOYS AND MATERIALS, SOME OF THEM IN PRODUCTION-SIZE RUNS. WE HAVE BEEN IN TOUCH WITH THE SILVER USERS, THE SILVER PRODUCERS AND THE VENDING MACHINE COMPANIES. OUR RECOMMENDATIONS WILL TAKE INTO ACCOUNT ALL CONSIDERATIONS AFFECTING THE VARIOUS INTERESTS AND MAKE WHAT WE HOPE WILL BE SOUND PROPOSALS FOR DEALING WITH THE SITUATION.

I REGRET, MR. CHAIRMAN, THAT IT IS TOO SOON TO GET INTO THE DETAILS OF THAT STUDY. YOU MAY BE SURE, HOWEVER, THAT WE WILL MAKE IT AVAILABLE TO THIS COMMITTEE THE MINUTE IT IS COMPLETED.

THANK YOU VERY MUCH.

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